

Message Text

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PAGE 01 PEKING 01163 100211Z

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ACTION EA-14

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 INT-08 FEA-02 SCI-06 CEQ-02 L-03 H-03 DODE-00

PA-04 USIA-15 PRS-01 NSCE-00 DRC-01 SAJ-01 SAM-01

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R 100142Z JUL 74

FM USLO PEKING

TO SECSTATE WASHDC 2071

INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE PEKING 1163

E.O. 11652: N/A

TAGS: ETRD CH

SUBJECT: UNIVERSAL OIL PRODUCTS NEGOTIATIONS ON PLANT SALE
TO THE PRC

REF: A. HONG KONG 4894, MAY 17, 1973; B. PEKING A-11,
MAY 24, 1973

SUMMARY: UNIVERSAL OIL PRODUCTS REPRESENTATIVES ARE
PRESENTLY IN PEKING FOR TALKS ON THE POSSIBLE SALE OF A
USDOLS25 MILLION DETERGENT PLANT TO THE PRC. END SUMMARY.

1. TWO UNIVERSAL OIL PRODUCTS (UOP) REPRESENTATIVES HAVE
BEEN IN PEKING FOR MORE THAN A WEEK FOR TALKS ON THE
POSSIBLE SALE OF A USDOLS25 MILLION DETERGENT PLANT TO THE
PRC. ACCORDING TO UOP PROCESSES INTERNATIONAL PRESIDENT,
W.R. SEDLACEK, THE BASIC FACILITY WHICH THEY BELIEVE
WOULD BE LOCATED IN SHANGHAI WOULD HAVE AN ANNUAL CAPACITY
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PAGE 02 PEKING 01163 100211Z

OF 50,000 MT OF INTERMEDIATE PRODUCT, ONE-SIXTH OF WHICH

WOULD BE USED BY A SECONDARY FACILITY UOP WOULD BUILD TO PRODUCE 5700 MT OF BIODEGRADABLE LAUNDRY SOAP. THE REMAINDER OF THE INTERMEDIATE PRODUCT WOULD BE AVAILABLE FOR USE BY OTHER SECONDARY PLANTS PRESUMABLY LOCATED IN OTHER PARTS OF CHINA.

2. THE DETERGENT PLANT IS ONE OF NINE COMPLETE PLANT PROPOSALS REQUESTED BY THE CHINESE FOLLOWING A UOP DELEGATION VISIT TO PEKING LAST MAY (REFS). CURRENT TALKS CONCERN ONLY THE DETERGENT PLANT, BUT THE CHINESE HAVE INDICATED THAT THE OTHER PROPOSALS WILL BE REVIEWED BRIEFLY PRIOR TO SEDLACEK'S DEPARTURE NEXT WEEK. ACCORDING TO SEDLACEK, THE CHINESE DISPLAYED NO REAL INTEREST IN ANY OF THE UOP PROPOSALS UNTIL THREE WEEKS AGO WHEN HE RECEIVED A HURRIED INVITATION TO COME TO PEKING. HE IS STILL SOMEWHAT MYSTIFIED AS TO WHY THE CHINESE ARE SO INTERESTED IN THE DETERGENT PLANT RATHER THAN OTHER UOP PROPOSALS WHICH CONCERN OIL REFINING AND PETROCHEMICAL FACILITIES.

3. ALTHOUGH THEIR TECHNICAL DISCUSSIONS LAST WEEK WENT SMOOTHLY, THE UOP REPRESENTATIVES FEEL THAT PROBLEMS RAISED IN THIS WEEK'S COMMERCIAL TALKS WILL BE DIFFICULT TO RESOLVE. FACED WITH RISING MATERIAL COSTS, UOP IS PRESENTLY UNABLE TO QUOTE FIXED PRICES AND WILL HAVE TO INSIST ON AN ESCALATING FORMULA TO PROTECT THEM AGAINST INFLATION. SO FAR, THE CHINESE ARE INSISTING ON FIXED COST QUOTATIONS, BUT HAVE ASKED FOR SEPARATE QUOTES ON (1) TECHNOLOGY; (1) TECHNOLOGY AND SERVICES AND (3) COMPLETE PLANT. IN OPTIONS (1) AND (2) THE CHINESE WOULD BE FREE TO PURCHASE THE EQUIPMENT FROM OTHER COMPANIES. WHATEVER THE EVENTUAL FORMULA, SEDLACEK SAYS HE IS CONFIDENT THE CHINESE WANT THE PLANT AND WILL FIND SOLUTIONS TO THE COMMERCIAL PROBLEMS.

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